

cheques, find their way into the Bank of England Eeserve as part of the balances which the joint stock banks deposit with that central body. The drained-off water, so to speak, reflows to its spring.

The general quarterly payment of salaries, rents, bills and the dividends upon Government Securities at the beginning of October concur with the preceding demand upon the Bank's metallic resources, and it is evident that if these claims were coincident with any considerable requirements for gold abroad, the dimensions of the combined efflux of gold may sometimes amount to the extent of a panic.

In the demand for agricultural wages and other disbursements in the autumn it is the country banks of the different districts which first feel the strain : the replenishment of their resources is obtained from their banking agents in London, and these in turn restore their diminished stock by drafts on the Bank of England. Thus in every financial derangement and difficulty the citadel of the nation's solvency sustains the shock.

We may roughly discriminate the domestic causes which effect a reduction in the Eeserve, from those which are of a foreign origin. The former comprise such events as extensive speculation in trade, commercial distress, banking panics, and deficient harvests. The inferiority of harvests necessarily means a loss of wealth which might have been employed in the purchase of goods of every description, and the consequent increase of trade: the money sunk in the buying of seeds and manures, the wages spent in the labour of agriculture, and the anticipated profits have thus been largely wasted. Hence money has become less plentiful, and money, instead of being accumulated, must be expended in importing a larger supply of wheat from abroad for the consuming needs of the entire country. And the Bank's Eeserve must suffer. [A brief history of the recurrent course of trade from a sound beginning to a calamitous close, with the involved effect upon the prices of securities, will be furnished on a later page.]

A reference cannot be omitted to the more significant and less predictable

outflows of gold which are associated with the foreign exchanges. Eeverting first, however, to the distinction